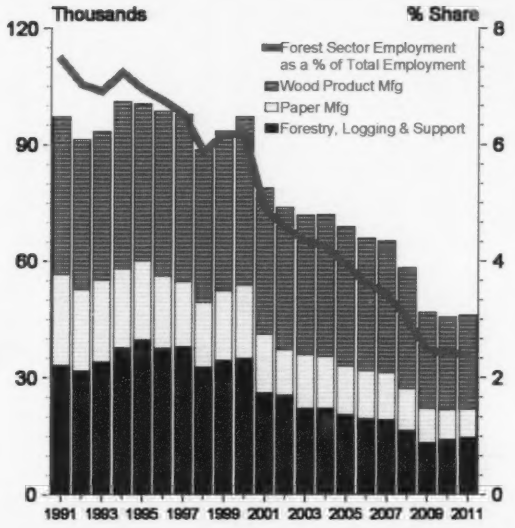
BC's Exports Moving Out of the Woods

By Dan Schrier

Over the last 20 years, employment in British Columbia's forest sector has been halved. In 1991, there were 97,149 people employed in forest sector jobs (forestry, logging and support, wood product manufacturing, or pulp and paper manufacturing industries). By 2011, forest sector jobs in BC numbered only 46,203, a decline of 52 percent.

British Columbia's employment in the forest sector has dropped significantly

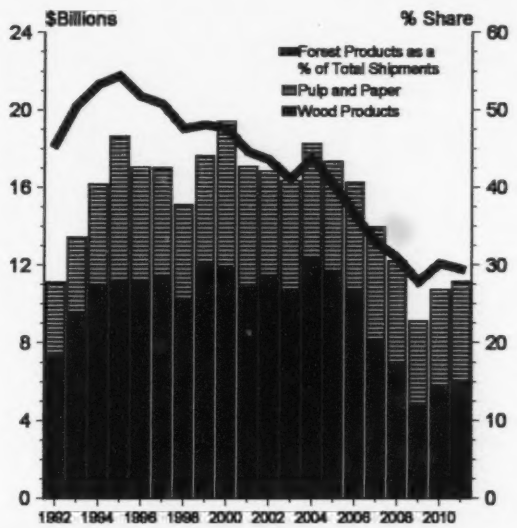


Source: Statistics Canada (SEPH)

Jobs in the forest sector comprised around 7.5% of total employment in the province in 1991, but this ratio fell to only 2.4% in 2011. The substantial declines were spread throughout the forest sector, with jobs in forestry and logging dropping 56%, pulp and paper manufacturing employment slumping 69% and wood product manufacturing jobs reduced by 40% from 1991 to 2011.

The decline in manufacturing jobs is reflected in the volume of wood and paper product shipments. Forest products as a share of total manufacturing shipments have declined from 45.6% in 1992 to 29.4% in 2011. The share of BC's GDP generated by forest sector industries has dropped from around 10% two decades ago to only 5% in the last few years.

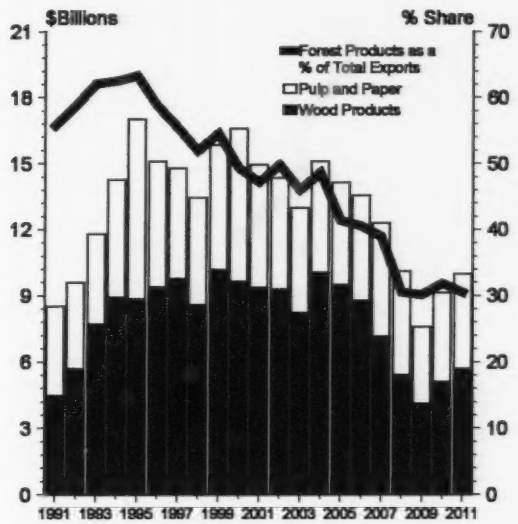
Forest products make up a smaller share of manufacturing shipments than 20 years ago



Source: Statistics Canada

Given the decline in production, it is not too surprising that exports of forest products have also fallen over the last two decades. In 1991, 55.8% of BC's exports consisted of forest products, compared to 30.4% in 2011.

The share of BC's exports comprised of forest products has been shrinking

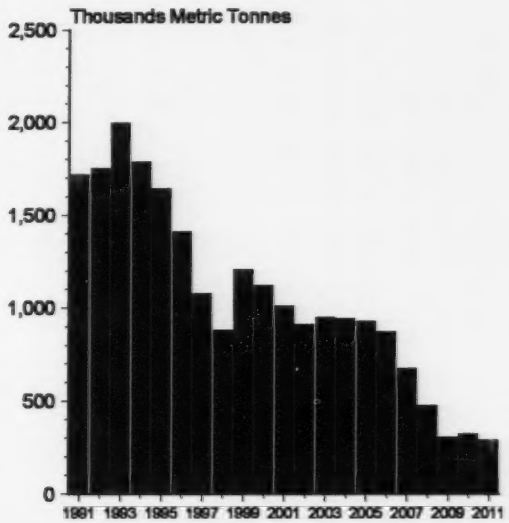


Source: Statistics Canada

While the forest sector's share of total exports has fallen dramatically, this does not necessarily translate into an equally dramatic drop in actual exports of forest products. Looking at volumes shipped, there has been less of a decline than one would think given the drop in employment.

The one exception is with respect to exports of newsprint. There has been a substantial slump in shipments of this product, both in value and volume. In 1991, over 1.7 million metric tonnes of newsprint worth over $1 billion was exported from the province. By 2011, less than 300,000 metric tonnes were shipped from BC to international destinations, at a value of less than $200 million. These figures translate to a decline of more than 80% in the last 20 years. The proliferation of online sources of information has had a negative impact on the newspaper industry, forcing several major North American newspapers to cease production and many others to reduce the number of pages printed as their readership declined. As a result, demand for newsprint has fallen and is unlikely to see much of a revival.

BC's exports of newsprint have fallen dramatically over the last 20 years



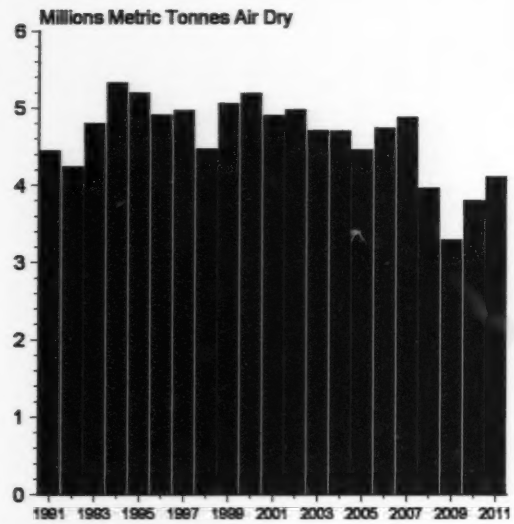
Source: Statistics Canada

Elsewhere in the pulp and paper sector, the performance over the last two decades has been far more positive. Although the volume of pulp shipped from the province has fallen off somewhat in the last four years, the value of the pulp exported from BC in 2011 was the second highest recorded in the last decade. It was also 29% higher than the value of pulp exported in 1991.

Generally, the volume of pulp exported from BC has remained reasonably flat over the last 20 years. There was a significant slump in 2009 as a result of the global economic downturn and volumes have still not returned to pre-2008 levels, but the drop in exports is small compared to the decline in employment in the paper manufacturing sector. This could be indicative of productivity and efficiency gains in the industry. That said, the 2010 closures of the Kiti-

mat and Elk Falls pulp and paper mills could mean that export volumes will not return to pre-2008 levels in the foreseeable future.

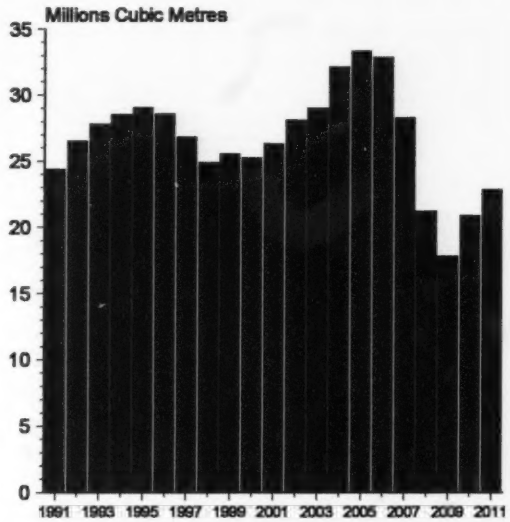
BC pulp exports have remained fairly flat over the last two decades



Source: Statistics Canada

BC's exports of softwood lumber have been far more volatile, climbing to a peak of 33.3 million cubic metres in 2005, before slumping to a trough of just 17.8 million cubic metres in 2009. The significantly lower volumes of lumber shipped abroad in the last four years is mainly the result of a dramatic drop-off in housing starts in the United States. After hitting a peak of over two million starts in 2005, there was a sharp decline to only 554,000 in 2009.[1] There has been very little recovery since then and the result for BC wood producers is a lack of demand for their product. In the last couple of years, some BC lumber exporters have managed to find new markets in China and other Asian destinations and this has helped the sector recover somewhat, although volumes exported are still historically low.

BC's softwood lumber exports have experienced a significant decline in the last four years



Source: Statistics Canada

Nevertheless, the drop in lumber shipments is nowhere near as dramatic as the decline in employment. This may be due in part to efforts to find efficiency gains in order to deal with the softwood lumber dispute with the United States from 2001 through 2006. Faced with punitive duties of up to 27%, lumber manufacturers ramped up production and made efficiency improvements to reduce costs. This resulted in record high lumber exports at the same time that employment in the wood product manufacturing sector was starting to drop off.

While social and economic conditions affecting demand have played a role in the drop in volume of forest products manufactured and exported, as well as the decline in forest sector employment, supply has also been an issue. Specifically, the mountain pine beetle infestation has wreaked havoc on BC's Interior forests.

[1] Source: US Census Bureau.

There has been a concerted effort to harvest as many of the dead trees as possible while they still have some value, but once those are gone, the affected areas will likely face a severe timber shortage. This could result in the loss of thousands of forest sector jobs. Manufacturing shipments and exports of forest products will undoubtedly experience reductions as well, which implies that the forest sector's share of BC's employment, manufacturing shipments, GDP and exports may continue to decline over the next several years.